

**ORCAS ISLAND SCHOOL DISTRICT No. 137**  
**San Juan County, Washington**  
**September 1, 1993 Through August 31, 1995**

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**Schedule Of Federal Findings**

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1. The District Should Improve Its Accounting For Fixed Assets

Our review of the district's fixed assets revealed the following weaknesses:

- a. The district's fixed asset detail ledger is not current.
- b. The district does not maintain a separate ledger of federal fixed assets nor has the district taken an inventory of assets acquired with federal funds within the last two years.

The federal "Common Rule" for *Uniform Administrative Requirements for Grants and Cooperative Agreements With State and Local Governments* Subpart A, \_\_\_.32 Equipment (4)(d) states in part:

- (1) Property records must be maintained . . .
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property  
. . . .

RCW 43.09.200 requires the State Auditor to prescribe uniform accounting systems. The State Auditor prescribes the *Budgeting, Accounting and Reporting System* (BARS) manual which states in Volume I, Part 3, Chapter 7:

Accountability for fixed assets is required of all local government, regardless of size.

The *Accounting Manual for School Districts in the State of Washington*, Chapter III, Section G-6, page 1 states in part:

An adequate fixed asset accounting system ensures the school district will meet statutory requirements, produce records and reports, and properly guard assets.

The inadequate fixed asset system is attributed to insufficient resources available to maintain the fixed asset records.

Noncompliance with federal requirements may result in a loss of funding to the district. Adequate safeguarding of district fixed assets cannot be assured when accounting

procedures and controls are not maintained.

We recommend the district:

- a. Update and maintain a comprehensive detail ledger of fixed assets.
- b. Perform physical inventories at least every two years of fixed assets acquired with federal funds and reconcile to subsidiary ledgers.